

# Fact Sheet 2 - Myths and Facts about Rating

There are some common myths about the rating system. Here are some facts.

**Myth:** *Councils automatically collect a windfall gain because of valuation increases.*

**Fact:** The amount a council collects in rates in any year is determined by the council budget process – not property values. Under an *ad valorem* system (i.e. where the payable rate is proportionate to the value of the property) property values within a local government area determine the *distribution* of the rate burden across properties. Higher valued properties will tend to pay more in rates than lower valued properties in the same municipality.

**Myth:** *The valuation of properties in Victoria is decided by councils.*

**Fact:** The annual valuation process is undertaken independently of councils and centrally managed by the Victorian Valuer-General. Valuations are also subjected to audits. If you are dissatisfied with the valuation of your property on your rates notice, you may appeal the valuation by contacting your council.

**Myth:** *Councils enjoy revenue windfall from new properties created during the financial year.*

**Fact:** New subdivisions create new assessments which are valued (outside of the annual valuation cycle)

in a process called supplementary valuation. These new assessments generate new revenue, which then pays for the additional services required for the new properties and the people that live and work in them. The rate capping system takes this into account.

**Myth:** *Rates reflect the use of council services consumed, not the value of the property.*

**Fact:** Councils receive many applications by property owners to be considered for rate reductions, and a common ground for such applications is the claim that the owner does not benefit from council services to the same extent as other owners in the municipality. All ratepayers are required to contribute to the total pool of revenue, according to the value of their property. As with income tax, it would be highly problematic and practically impossible for specific individuals to be rated in accordance with the level of services which they use, or purport to use, at any given time, such as walking on a footpath or using a municipal bin in a park.

**Myth:** *Individual rates automatically go up every year.*

**Fact:** The amount paid by individual properties is influenced by the relative movements of other property values in a local government area. Changes in property values will vary across a municipality according to a number of factors including sale of similar properties in the area and any improvements to the building(s) on the land. A revaluation may result in the rates for some properties going up while others go down.

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